

## RETIRE-REHIRE POLICY IN STATE PENSION PROGRAMS FOR SCHOOL ADMINISTRATORS

### Introduction

Policy changes in state pension programs for public school educators typically affect not only current and future retirees, but also social conditions (Deaton, 1989), labor market forces (Clark, Craig, & Wilson, 2003), and professional preparation and state licensing (Kowalski & Sweetland, 2002). A review of the literature, however, reveals that surprisingly little research has been conducted on the development, revision, and effects of state educator pension funds since Taylor's (1986) analysis approximately two decades ago. Early retirement incentive programs (ERIPs), for example, were adopted widely during the 1970s and 1980s to correct what many analysts (e.g., Carter & McGowan, 1970; Hyde, 1974) described as a glut of teachers. Proponents successfully argued that their proposal would benefit taxpayers, the education profession, and pension fund members—claims that usually were not challenged empirically until the provisions were enacted.

Policymakers in many states are again being pressured politically by education special interest group lobbyists to use state pension funds to ameliorate an alleged disequilibrium in educator labor markets. This time the perceived problem is a critical shortage of qualified educators and the proposed solution is retire-rehire policies (RRPs). In essence, RRPs permit an administrator to retire, even prematurely under ERIP provisions, and then return to work in an administrative position in the same state, receiving a regular salary and pension benefits simultaneously (Gains, 2002). In some states where such policy is basically unrestricted (e.g., Ohio), superintendents and principals can retire as early as age 50 and return to work immediately (with a very minor penalty) or after 30 days (without any penalty) even in the very same position from which they retire (Kowalski & Sweetland, 2002).

Three commonalities between RRPs and ERIPs are especially cogent. First, both are supposed to ameliorate labor market disequilibrium; ERIPs are intended to diminish labor supply, and RRPs are intended to increase labor supply. Second, both are expected to yield economic benefits for the state; ERIPs accelerate personnel turnover resulting in lower overall salaries, and RRPs encourage employers to negotiate concessions from rehired employees. Third, both have political value in that they are widely supported by pension fund members and their state organizations (Sostek, 2003).

Three purposes are addressed in this paper. First, data pertinent to P-12 educator pension funds, ERIPs, and RRPs are summarized. Second, data for all state pension funds are reported and then states are categorized based on rehire restrictions. Third, possible associations between levels of rehire restrictions and two other variables—*scope of pension fund membership* and *mandatory Social Security participation*—are analyzed. Scope pertains to the types of public employees included in the fund cov-

ering P–12 public school administrators; it is treated here as a political variable based on the assumption that broad membership is politically advantageous (i.e., the larger a fund's membership, the greater the political influence). Social Security participation is related to the effects of having a federal supplemental retirement program; it is treated here as an economic variable based on the assumption that a supplementary plan may deter policymakers from broadening state pension fund benefits (i.e., policymakers in states without Social Security participation may be more inclined to increase benefits such as RRPs).

Outcomes reported here reveal considerable variability across states with respect to retire-rehire restrictions. This variance ranges from not allowing rehiring to allowing rehiring without restrictions. Neither the political nor economic variable examined appears to have had a discernible influence on the levels of these restrictions. The uncertainty surrounding the future of RRPs magnifies the relevance of possible negative consequences and establishes the need for state-level pension fund studies.

### Perspectives on Pension Fund Policy and Labor Markets

Each state has its own retirement system covering P–12 public school educators and these systems cover both teachers and administrators. Since teachers constitute a significant member majority, these programs are commonly called “teacher retirement funds.” State funds differ, however, with respect to total fund membership; at one end of the continuum, membership in some state funds is restricted to P–12 educators and at the other end, membership spans all state employees (Pease, 1980).

Teacher retirement funds differ with respect to their fiscal independence from state government. Those labeled *agencies of state government* are at one extreme and those labeled *independent corporations* are at the other extreme. Most states, though, are *hybrids*; that is, they function somewhere between these two polar positions (Taylor, 1986). *Agencies of state government* permit pension fund officials to administer benefits but the responsibility of managing assets is transferred to another part of state government, usually to the state treasurer. *Independent corporations* are characterized by (a) self-regulating boards of trustees, (b) control of benefits and assets by fund officials, (c) the right to buy and sell property, and (d) the status of a separate legal entity (can file suits or have suits filed against it without state involvement). Because most state pension funds do not fall precisely into either of these categories, conducting comparative research on them has been quite difficult and complicated (Taylor, 1986).

### Experiences with Early Retirement Incentive Programs

Between the 1970s and the early 1990s, the most common change made to state educator pension programs was the inclusion of ERIPs (Auriemma, Cooper, & Smith, 1992). Supporters posited that the benefits were multifaceted and opposition virtually non-existent (Koehler, 1975). State government was supposed to benefit in that a perceived disequilibrium

um between the supply and demand for educators would be eliminated or at least reduced (Auriemma et al., 1992). Taxpayers were supposed to benefit economically, especially from teacher turnover, because employees at the top of the salary schedule would be replaced by employees with lower salaries. School boards and administrators were supposed to benefit by reducing the legal and political entanglements associated with managing enrollment declines (e.g., avoiding reductions in force). Students and their parents were supposed to benefit because ineffective teachers were expected to retire in greater numbers than effective teachers, an outcome that would allow more recently prepared educators to infuse new ideas and enthusiasm into classrooms. Pension fund members were supposed to benefit because penalties that deterred early retirement were rescinded or neutralized (Ferguson, 1982; Natale, 1991). Despite wide acceptance of these claims, ERIPs eventually evoked legal and legislative controversies (Tarter & McCarthy, 1989).

After more than a decade of experience with ERIPs, data from states that adopted them in the early 1970s suggest that most of the promised benefits did not materialize, at least not in the first 10 years (Ferguson, 1982). In South Carolina, for example, a study by Cohn and Williams (1989) found that the effects on balancing labor market forces in that state were minimal at best. In addition, evidence that the quality of teaching improved either because ineffective teachers took advantage of ERIPs or because recently prepared teachers replaced experienced teachers was not convincing (Ferguson, 1982). Although some districts lowered personnel costs, the benefit typically was used to counteract inadequate district funding rather than being passed on to taxpayers in the form of tax rate reductions (Mutter & Nichols, 1991). Arguably, transferring the savings to other parts of the budget may have averted tax increases necessary to counteract inflation and expand programs, but many taxpayers may not understand this fact.

Policies for collecting and expending tax revenues, including those for public employee pension programs (Ippolito, 1986), traditionally have been developed in political arenas (Fowler, 2004; Wirt & Kirst, 1997). In a political decision-making arena, rationality is diminished by changing social values and the exercise of power by special-interest groups (Nutt, 2002). With respect to adopting early retirement incentives, the following factors made conditions more favorable after 1970: (a) the growing acceptance of early retirement in American society (Ippolito, 1990), (b) the reduced demand for educators caused by declining school enrollments (Ellsworth, 1977), (c) the conviction that early retirement offered the least problematic alternative for dealing with staffing problems (Slater, 1972), and (d) political support from an atypical alliance of education special interest groups (Kowalski & Sweetland, 2002).

Among the groups supporting ERIPs, teachers were usually the most vocal both because they constituted the vast majority of pension fund members and because they were highly unified politically on this issue (Johnson & Gaetino, 1982). Their primary organization, the National Education Association (NEA), also played a pivotal role. Circa

1970 when policymakers began looking at ERIPs, NEA officials were reporting a gross oversupply of teachers and predicting that the labor market imbalance would worsen (Regier, 1972).

After successfully lobbying for ERIPs at the state level, proponents turned their attention to local district policy and collective bargaining agreements. School board members and superintendents in many districts adopted supplemental ERIPs, either in response to teacher union initiatives or acting on their own. Many of their decisions on this matter were poorly conceived and based on gross underestimates of long-term costs (Brown & Repa, 1993).

In light of current labor market conditions and documented difficulties stemming from poorly conceived district retirement programs, one might suspect that policymakers would have rescinded or at least amended ERIPs. The fact that they have not reveals the extent to which ERIPs are rooted in politics rather than economics.

#### *Alleged Shortage of Administrators*

The pursuit of RRPAs for public school educators has been abetted by the belief that there is a critical shortage of qualified administrators and teachers in many parts of the country (Kowalski & Sweetland, 2002). With regard to administrators, such claims have been relatively common in the last few years (e.g., Cooper, Fusarelli, & Carella, 2000; Cushing, Kerrins, & Johnstone, 2003; Espano & Rader, 2001; Muffs & Sciascia, 2001; Quinn, 2002; Whitaker, 2001). Frequently, these assertions have been based on findings from opinion survey studies conducted with superintendents (e.g., Cooper et al., 2000; Whitaker, 2001) and principals (e.g., Muffs & Sciascia, 2001)—individuals who arguably benefit when the public believes that a critical labor shortage exists (Richard, 1999). Moreover, many of the shortage assertions were made in journals and books published or sponsored by national administrator associations.

The contention that the demand for qualified educators exceeded supply seemed plausible after the mid-1980s in light of demographic predictions indicating that population growth and the age of the current workforce would combine to increase demand. For example, Fideler and Haselkorn (1999) projected that the number of teachers hired in the first decade of the twenty-first century would be double the number hired during the 1980s. With respect to school administration, the Bureau of Labor Statistics estimated that the number of jobs would increase by 10% between 2000 and 2008 (McCreight, 2001). Immigration of students and ironically early retirements were the two primary factors influencing such projections (Gerald & Hussar, 1998; Ingersoll, 1997). Predicting labor market supply, however, is more precarious than predicting demand because career choices and decisions to remain in practice are typically influenced by three factors: (a) individual characteristics, including ability, preferences, and taste; (b) job characteristics, including work environment, responsibilities, and status; and (c) pecuniary aspects, such as wages and benefits (Ferris & Winkler, 1986). Furthermore, retirement

decisions are influenced by pension fund policy (Ippolito, 1986), an inconstant variable that is difficult to predict because it is promulgated in dynamic political arenas.

From an economic perspective, a labor shortage exists when the demand for persons in a particular occupation exceeds the supply of individuals *qualified, available, and willing* to do that job (Veneri, 1999). Unfortunately, economic criteria (e.g., prevailing or recent wage scales), social criteria (e.g., role expectations based on evolving needs such as reform), and institutional criteria (e.g., licensing and resources) often have been defined inconsistently, an error that casts doubt on the validity of research findings and conclusions (Blank & Stigler, 1957; Franke & Sobel, 1970). Employers, for instance, may incorrectly declare an occupational shortage as a result of being displeased with the caliber of applicants—especially when they demand high quality but are unwilling to improve compensation or working conditions sufficiently to attract the level of candidates they desire (Veneri, 1999, p. 15). In essence, their perception of a shortage results from setting a quality standard higher than the existing market standard for a particular profession or occupation.

After 1960, the supply of administrators (measured by the market standard of possessing a license to practice or being eligible to obtain a license) consistently exceeded demand in virtually all areas of school administration (McCarthy, Kuh, & Zent, 1981). Consequently, most school boards enjoyed the advantage of having large applicant pools. Although evidence suggests that these pools have declined in recent years, the diminishing number of applicants verifies neither a labor shortage nor a crisis. Recent studies of superintendent search consultants, for example, found average pools to contain 20 or more applicants (e.g., Glass, 2001; Glass & Björk, 2003; O'Connell, 2000). Yet, many school board members appear genuinely uneasy about having smaller applicant pools. Their anxiety is most likely nested in two issues: their perceptions of school administration as a profession and their desire to protect salary decisions from labor market forces (Kowalski, 2003).

Historically, licensing enhanced the legitimate authority of administrators but failed to persuade policymakers and the general public that school administration was a true profession (Tyack, 1974). By not equating "licensed" with "qualified," school boards generally believed that large applicant pools were essential to employing qualified administrators. Moreover, large applicant pools provided an economic advantage in that employers could determine salaries on the basis of politics (what they and their communities were willing to pay) rather than on the basis of economics (what the marketplace dictated) (Kowalski, 2003). Consequently, many school board members have been deeply troubled by smaller applicant pools. Nevertheless, when traditional economic standards rather than employer opinions are used to evaluate the supply and demand for school administrators, the contention of a labor shortage in relation to principals (e.g., Gates, Ringel, Santibanez, Ross, & Chung, 2003) and to superintendents (e.g., Björk & Keedy, 2003; Kowalski, 2003) is far less compelling than claimed.

### *Retire-Rehire Policy*

Individuals who retire and continue working are commonly referred to as “double dippers” because they concurrently receive a regular salary and a pension (Sostek, 2003). In the past, educators have been able to do this by being employed (a) in a new occupation, (b) in an education position not covered by the fund from which they are receiving a pension (e.g., in a private school or university), or (c) in an education position in another state. RRP<sup>s</sup> effectively establish a fourth alternative—the option of retiring and then being rehired in an education position covered by the fund from which the individual is receiving a pension. A covered position is defined here as one requiring mandatory participation in a specific pension fund.

Policymakers promoting RRP<sup>s</sup> have uniformly identified a shortage of qualified administrators and teachers as the reason for their action (Kowalski & Sweetland, 2002; Sostek, 2003). Several economists (e.g., Luzadis & Mitchell, 1991; Munnell, Cahill, & Jivan, 2003; Samwick, 1998), however, believe that relying solely on pension program policy to influence labor markets is precarious because retirement decisions are rarely made on the basis of a single variable. Even more noteworthy, some past attempts to use pension fund policy to pursue labor market equilibrium have been counterproductive (Mirkin, 1987).

Ideally, policy intended to correct the supply and demand of educators would be based on a fair and balanced analysis of alternative solutions (Ferris & Winkler, 1986). More often, though, a mix of philosophical and political dispositions has shaped the outcomes. Philosophically, both policymakers and the general public seem divided in their views over the purpose and use of public-employee pension funds. With respect to purpose, traditionalists believe that individuals should not receive their pension until they truly stop working whereas non-traditionalists view individual pension funds more as savings accounts (Sostek, 2003). The philosophical division between traditionalists and non-traditionalists has been overtly evident in states where retire-rehire legislation has been introduced (e.g., New Hampshire, Texas, and Washington). With respect to use, RRP proponents have argued that adjusting labor market disparities is one of the primary objectives of a public employee retirement program and opponents have disagreed (Werneck, 2001). Politically, both ERIP<sup>s</sup> and RRP<sup>s</sup> appear to be supported broadly by education special interest groups (Kowalski & Sweetland, 2002).

Limitations in RRP<sup>s</sup> have been dissimilar across state pension funds. The most common have included mandatory breaks in service, annual income ceilings, and restrictions on work time (e.g., maximum number of working days, restrictions stated in full-time equivalency). A study of three states (Kowalski & Sweetland, 2002), for example, found considerable variations in earnings limitations; Indiana’s annual ceiling was \$25,000, South Carolina’s annual ceiling was \$50,000, and Ohio had no ceiling. Administrators employed in positions covered by the pension funds from which they retired were required to forfeit all retirement bene-

fits for a fiscal year in which they exceeded the earnings ceiling.

Experience demonstrates that adopting unrestricted RRP<sup>s</sup> without rescinding ERIP<sup>s</sup> can change the rate and timing of retirement decisions. In the first year after this was done in the state of Washington, only eight superintendents retired and were rehired. The following year, after educators became more familiar with the personal benefits afforded by this concept, that number increased by over 300% to 25 (Sostek, 2003). Clearly, the newly adopted rehire provision accelerated the rate of early retirements.

Depending on how RRP<sup>s</sup> are drafted, a public-employee pension fund could incur serious financial problems. Consider the following two examples.

- In Ohio, administrators who retire and are then rehired can opt to have their health insurance subsidized by either the State Teacher Retirement System (STRS) or their employer (Kowalski & Sweetland, 2002). Many superintendents who have been rehired have had their health insurance coverage transferred to STRS, a decision that resulted in employer cost savings. Projections completed in 2001, however, indicated that the STRS's \$3.25 billion Health Care Stabilization Fund (used to make health insurance payments) would be depleted by 2016 if the current rehire policy remained in effect (Back to School, 2001).
- Many state teacher retirement systems employ a "pay-as-you-go" strategy. Under this scheme, contributions from the fund's working members cover retiree payments. If rehired administrators are no longer required to pay into the pension fund, the fund's overall revenue decreases creating a possible cash flow problem (Sostek, 2003). In order to avoid this dilemma, a state would have to be creating more new jobs covered by the pension fund than the number of rehired retirees. In their study of three states, Kowalski and Sweetland (2002) found that requirements for continued payment into the pension fund for rehired retirees were not uniform; as an example, Ohio permits rehired retirees to establish a new annuity account but Indiana does not.

Political concerns and not economic forecasts, however, have been the most formidable obstacles for RRP<sup>s</sup>. Experiences in states such as Louisiana, South Carolina, and Washington plainly demonstrate that many taxpayers oppose the concept once they understand it. Historically, educators have received relatively generous retirement plans in relation to their normal salaries because pension benefits have not been known or understood by many taxpayers (Ferris, 1984). After learning about the effects of RRP<sup>s</sup>, especially in relation to superintendents, many taxpayers have reacted negatively. Their judgments about the merits of rehiring have not focused on legalities, purported cost savings, or labor market short-

ages but rather on the total compensation paid to rehired retirees. Outraged taxpayers tend to view RRPs as a scheme allowing public employees to “feather their nests” without taxpayers direct knowledge or approval (Sostek, 2003).

### **Retire-Rehire Policy across the States**

Data reported here are for a population consisting of all 50 state pension funds, and they were collected in late 2003. The information was deemed pertinent to four queries:

1. Do state pension funds covering school administrators allow retirees to return to work in a covered position? (As previously noted, a covered position is one in which the employee is required to contribute to a designated pension fund.)
2. What restrictions are placed on rehiring a retiree?
3. What is the scope of membership in pension funds covering school administrators?
4. Do state pension funds require members to participate in Social Security?

Data were collected by contacting a pension fund official in each state via email. Responses were compared to information contained on pension fund web sites. If email responses and web page content were inconsistent or ambiguous, follow-up telephone calls were made to the pension fund official to seek clarification. Data reported here were in effect during the 2003–2004 school year.

### *Membership Scope and Social Security*

Results verified that P–12 public school administrators and P–12 public school teachers were members of the same pension program in every state; however, the total scope of pension fund membership across the states was not uniform. Fifteen state funds (30%) covered only P–12 public school professional employees (hereafter referred to as *exclusive membership funds*). In the remaining 35 states (70%), pension funds covering these educators included one or more other categories of state employees (hereafter referred to as *non-exclusive membership funds*). There was considerable in-group variance, however, in the non-exclusive category. As an example, Indiana’s has a very small percentage of members who are education professors at two state universities that were formally normal schools. At the other end of the spectrum, several states (e.g., Delaware, Tennessee) cover all state employees in single pension fund; in these states, P–12 public school educators typically constitute less than half of the fund’s membership.

Pension funds also differ with regard to mandatory Social Security participation. Twelve state funds (24%) did not require P-12 public school educators to participate in this federal program (hereafter referred to as *non-participation state funds*) and the remaining 38 state funds (76%) required participation (hereafter referred to as *participation state funds*). One participation state, New Hampshire, has an unusual provision exempting employees in a handful of districts from Social Security participation. Data for both the scope of fund membership and Social Security participation are shown in Table 1.

**Table 1***Scope of Pension Fund Membership and Participation in Social Security*

State	Fund includes some or all other state employees	Social Security required
Alabama	yes	yes
Alaska	no	no
Arizona	yes	yes
Arkansas	no	yes
California	no	no
Colorado	yes	yes
Connecticut	no	no
Delaware	yes	yes
Florida	yes	yes
Georgia	no	yes
Hawaii	yes	yes
Idaho	yes	yes
Illinois	yes	no
Indiana	yes	yes
Iowa	yes	yes
Kansas	yes	yes
Kentucky	yes	no
Louisiana	yes	no
Maine	yes	no
Maryland	yes	yes
Massachusetts	yes	no
Michigan	yes	yes
Minnesota	yes	yes
Mississippi	yes	yes
Missouri	no	no
Montana	yes	yes
Nebraska	no	yes
Nevada	yes	no
New Hampshire	yes	yes
New Jersey	no	yes

(continued)

**Table 1 (continued)**

State	Fund includes some or all other state employees	Social Security required
New Mexico	no	yes
New York	no	yes
North Carolina	yes	yes
North Dakota	no	yes
Ohio	yes	no
Oklahoma	no	yes
Oregon	yes	yes
Pennsylvania	no	yes
Rhode Island	yes	yes
South Carolina	yes	yes
South Dakota	yes	yes
Tennessee	yes	yes
Texas	yes	no
Utah	yes	yes
Vermont	yes	yes
Virginia	yes	yes
Washington	no	yes
West Virginia	no	yes
Wisconsin	yes	yes
Wyoming	yes	yes

*Retire-Rehire Provisions*

Data for RRPs revealed considerable variance across the 50 state pension funds. Only seven (14%) did not permit retirees to be rehired in covered positions, even on a part-time basis, without forfeiting pension benefits. The remaining 43 state funds (86%) had some iteration of RRPs. Restrictions placed on re-employment, however, varied considerably, from unrestricted to highly restricted. Outcomes for this question are shown in Table 2.

**Table 2**

*Retire-Rehire Policy in State Pension Plans for School Administrators*

State	Retire-Rehire	Basic restrictions
Alabama	yes	no full-time employment allowed; \$18k maximum on annual earnings
Alaska	yes	requires waiver from the state to continue working and receive pension benefits

*(continued)*

**Table 2 (continued)**

State	Retire-Rehire	Basic restrictions
Arizona	yes	up to 20 hours p/week or no more than 19 weeks p/year; 1 year break in service
Arkansas	yes	maximum annual earnings of \$23,200 to age 66; no restrictions after 66
California	yes	up to \$25,750 annual earnings limitation
Colorado	yes	110 day limit; exceptions are critical shortages or replacement for military
Connecticut	yes	limited to 45% of entry-level salary for position entered
Delaware	no	—
Florida	yes	no restrictions after 1 year break in service
Georgia	yes	1 month break in service; can work up to 5 years after retirement
Hawaii	no	—
Idaho	yes	90 day break in service; \$25k maximum on annual earnings
Illinois	yes	120 days of employment per year
Indiana	yes	90 day break in service; \$25k maximum on annual earnings
Iowa	yes	\$14k or Social Security maximum for persons under age 65
Kansas	yes	30 day break in service
Kentucky	yes	3 month break in service; waive annuity benefits during rehire period
Louisiana	yes	1 year break in service
Maine	yes	1 month break in service
Maryland	yes	1 month break in service; must be reemployed by the same district
Massachusetts	yes	960 hours maximum; salary must be below level of retirement position
Michigan	yes	1 month break in service; cannot make further contributions to the same fund
Minnesota	yes	Social Security earnings guidelines
Mississippi	yes	part-time employment only, with a maximum of 550 hours per year
Missouri	yes	employment up to 550 hours per year or 50% of position's annual salary
Montana	yes	employment on a part-time basis only
Nebraska	yes	none
Nevada	yes	maximum annual earnings of \$19k or employment in critical shortage area
New Hampshire	no	—
New Jersey	no	—

(continued)

**Table 2 (continued)**

State	Retire-Rehire	Basic restrictions
New Mexico	yes	1 year break in service
New York	yes	annual earnings up to \$25k under age 65; no restrictions after 65
North Carolina	yes	up to 50% of last year's salary before retirement
North Dakota	yes	30 day break in service; up to 700 hours except for critical shortage areas
Ohio	yes	60 day break in service or immediately with small penalty
Oklahoma	yes	annual earnings restricted to \$15k first 3 years and \$30k after that
Oregon	yes	none
Pennsylvania	yes	95 day break in service; must be in declared emergency area
Rhode Island	no	—
South Carolina	yes	annual earnings up to \$50k except in critical shortage areas
South Dakota	yes	none
Tennessee	no	—
Texas	yes	1 year break in service for principals; restrictions on person retiring after 2001
Utah	yes	must change employers
Vermont	yes	cannot exceed 60% of previous year's salary
Virginia	no	—
Washington	yes	up to 867 or 1,500 hours p/year based on plan and up to 60% of position's salary
West Virginia	yes	up to 120 days per year
Wisconsin	yes	annuity is suspended during rehire period
Wyoming	yes	usually requires a 6 month break in service

To facilitate discussion and analysis, the state pension systems were categorized on the basis of retire-rehire restrictions. Three variables were used to place the funds in one of five categories: *restrictions on eligibility* (e.g., provisions that restrict rehiring to positions deemed to have a critical shortage of qualified applicants), *restrictions on earnings* (e.g., a percentage of earnings at the time of retirement constituting an earnings ceiling for a retiree rehired in a covered position) and *restrictions on the length of employment* (e.g., number of days or hours per year constituting a full time equivalency (FTE) ceiling for a retiree rehired in a covered position). Parameters for the four categories were as follows:

- Group I—States in this category did not allow retirees to be rehired in covered positions without forfeiting pension benefits.

- Group II—States in this category allowed retirees to be rehired in covered positions but employment was restricted by (a) an earnings ceiling of 50% or less of the salary earned immediately before retirement or (b) an FTE ceiling of 50% or less.
- Group III—States in this category allowed retirees to be rehired in covered positions but employment was restricted by (a) an earnings ceiling of no less than 51% and no more than 99% of the salary earned immediately before retirement, (b) an FTE ceiling of no less than 51% and no more than 99%.
- Group IV—States in this category either allowed retirees to be rehired in covered positions without restrictions after a service break of 3 to 12 months or they waived restriction on earnings, service breaks, and length of employment for retirees rehired in positions deemed to have a critical shortage of qualified applicants.
- Group V—States in this category were totally unrestricted or the restrictions were minor (e.g., a service break of less than 3 months).

Pension funds granting waivers for critical labor shortages were placed in Category IV because criteria for verifying this condition were often less than rigorous. In some states, for example, employing district officials can receive waivers by merely stipulating that they have an inadequate number of qualified applicants. The five categories of funds based on RRPs are found in Table 3.

**Table 3**

*Categories of Retire-Rehire Policy in State Pension Plans for School Administrators*

Category	N	% of total	States in category
I.	7	14%	Delaware, Hawaii, New Hampshire, New Jersey, Rhode Island, Tennessee, Virginia
II.	19	38%	Alabama, Arizona, Arkansas, California, Connecticut, Idaho, Illinois, Indiana, Iowa, Kentucky, Massachusetts, Minnesota, Mississippi, Missouri, Montana, New York, North Carolina, Oklahoma, West Virginia

(continued)

**Table 3 (continued)**

Category	N	% of total	States in category
III.	3	6%	Alaska, Vermont, Washington <sup>a</sup>
IV.	9	18%	Colorado, Florida, Louisiana, Nevada, New Mexico, North Dakota, Pennsylvania, South Carolina, Texas
V.	12	24%	Georgia <sup>b</sup> , Kansas, Maine, Maryland <sup>c</sup> , Michigan <sup>d</sup> , Nebraska, Ohio, Oregon, South Dakota, Utah <sup>e</sup> , Wisconsin <sup>f</sup> , Wyoming

<sup>a</sup>Placed restrictions on rehiring in 2003 after contentious political battles over unrestricted policy. <sup>b</sup>Limits re-employment to 5 years. <sup>c</sup>Rehiring must be with the same employer.

<sup>d</sup>Contributions to the same pension fund are not allowed after being rehired. <sup>e</sup>Must change employers when rehired. <sup>f</sup>Annuity suspended during rehire period.

The membership scope and Social Security variables were interfaced with the five categories in Table 3; results are contained in Table 4. Because these data are for a population (the 50 state pension funds), consideration of possible associations were based on a comparison of frequency percentages. Data reveal no discernible pattern, indicating that neither the political variable (scope of fund membership) nor the economic variable (mandatory Social Security participation) was associated with the scope of RRPAs. As an example, the percentage of Group I (funds not permitting rehiring) with inclusive membership was nearly identical to the percentage of Group V funds with inclusive membership (86% and 84% respectively). Likewise the percentage of Group I participating in Social Security and the percentage of Group V participating were both high (100% and 83% respectively). Based on the frequency percentages, no discernible association was detected between the rehire restrictions and either membership scope or required Social Security participation.

**Table 4**

*Scope of Pension Fund Membership and Mandatory Social Security Participation by Retire-Rehire Categories*

Group	Number of states	Scope of fund membership		Social Security	
		exclusive	inclusive	yes	no
I.	7	1 (14.3%)	6 (85.7%)	7 (100%)	0 (0%)
II.	19	7 (36.8%)	12 (63.2%)	13 (68.4%)	6 (31.6%)
III.	3	2 (66.7%)	1 (33.3%)	2 (66.7%)	1 (33.3%)

(continued)

**Table 4 (continued)**

Group	Number of states	Scope of fund membership		Social Security	
		exclusive	inclusive	yes	no
IV.	9	3 (33.3%)	6 (66.7%)	6 (66.7%)	3 (33.3%)
IV.	12	2 (16.7%)	10 (83.3%)	10 (83.3%)	2 (16.7%)
All states	50	15 (30.0%)	35 (70.0%)	38 (76.0%)	12 (24%)

### Discussion

The use of pension fund policy to regulate labor market forces, including those for public education, remains highly controversial. Even so, policymakers in 86% of the states already allow some iteration of this strategy. Twenty-four percent of all states either have unrestricted or basically unrestricted policy; another 18% allow restrictions to be waived or have a break in service of a year or less as the sole restriction. Clearly then, RRP<sub>s</sub> have become very prevalent.

Findings reported here and demonstrated by the distribution of states in the five categories revealed no discernible trend in retire-rehire restrictions. Moreover, economic reasons underlying restrictions were not apparent and this at least suggests that state political environments have played a pivotal role in shaping RRP<sub>s</sub>. In some states, for instance, political debate has been contentious with state legislatures divided along political party lines (e.g., as in the state of Washington) (Locke vetoes retire-rehire fix for teachers, 2003). Consequently, it appears that RRP<sub>s</sub> become infused in an intricate web of political party priorities.

Several decades ago, policymakers supporting ERIP<sub>s</sub> largely ignored research showing that as the market demand for educators was reduced, the quality of students entering the profession also declined (Weaver, 1978). The potential for making similar errors in relation to RRP<sub>s</sub> is obvious. As an example, attempting to increase market supply with RRP<sub>s</sub> could prove to be counterproductive. Rehired administrators are much more likely to be found in the most desirable district and school positions and a reduction of job opportunities in these settings could become a disincentive for educators contemplating school administration careers. The following are other possible negative repercussions that merit consideration.

- RRP<sub>s</sub> have often been politically divisive (Werneck, 2001). Rancor could easily spill over into other critical public policy decisions producing negative effects for public education (e.g., the defeat of referenda for tax levies or for much needed school facility replacement or repair).

- Concessions made by rehired administrators may have negative systemic effects on fellow employees. In Ohio, for example, several rehired superintendents have either agreed to take a salary reduction or forego future salary increases (Kowalski & Sweetland, 2002). Given that all district salaries are formally or informally indexed to their salaries (Kowalski, 2005), the consequences of their concessions are not restricted to them.
- RRP<sup>s</sup> can present additional collective bargaining issues for school boards because teachers are typically eligible. In Ohio, for example, several local school boards and teacher unions already have negotiated policy for rehiring retired teachers—an act that overrides a provision that school boards determine such matters independently.
- RRP<sup>s</sup> can present serious economic problems affecting pension fund viability. Two examples were discussed previously; one pertained to health insurance and the other to disruptions in “pay-as-you-go” systems.
- From an ethical/moral perspective, RRP<sup>s</sup> can treat younger pension fund members unfairly. Especially in “pay-as-you-go” systems, their contributions fund the beneficiaries of RRP<sup>s</sup>; however, either state legislative action or court challenges could amend current policy (Avard & Washer, 2003)—actions that could deny them the same benefits they funded for others.

These and other unresolved issues need to be studied in greater detail. More globally, research is needed to explore the contention that pension fund policy can and does have a positive effect on labor force equilibrium. Generic research on this issue (e.g., Mirkin, 1987) suggests that this may not be the case. In addition, several research lines are recommended at the state level. First, there is a need to identify more precisely the promises and pitfalls of RRP<sup>s</sup> (Werneck, 2001). Second, reasons underlying decisions on rehiring restrictions need to be identified to provide a deeper understanding of policy dissimilarities. Third, the effects of RRP<sup>s</sup> should be examined in relation to labor force equilibrium, pension fund viability, and political consequences for P–12 public education (e.g., taxpayer support for schools).

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